

PUBLIC DISCLOSURE

MAY 9, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NEWTON TEACHERS CREDIT UNION

360 LOWELL AVENUE
NEWTONVILLE, MASSACHUSETTS 02160

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **NEWTON TEACHERS CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

As an industrial credit union that bases its membership on affiliation rather than location, Newton Teachers Credit Union was evaluated on the following three criteria:

The credit union's average net loan-to-deposit (share) ratio for the previous four semi-annual periods is 66.0 percent and meets the standards for satisfactory performance. This ratio indicates a willingness to return share deposits to members in the form of credit.

Analysis of the credit union's lending activity by borrower income revealed that 43.4 percent of a consumer loan sample was granted to low and moderate-income members. Performance under this criterion was also determined to meet the standards for satisfactory performance.

Newton Teachers Credit Union's fair lending performance is also considered to meet the standards of satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Newton Teachers Credit Union was chartered in October 1937 under the laws of the Commonwealth of Massachusetts. Its sole office is located at 360 Lowell Avenue in Newtonville, Massachusetts. The credit union was established to promote thrift among the employees of the Newton Public Schools and their families.

As of December 31, 2001, the institution had total assets of \$2,035,965 with total loans representing \$895,399 or 44.0 percent of total assets. Auto loans represented the majority of loans with a total amount of \$597,706 or 66.8 percent of total loans. The following table provides a breakdown of the credit union's loan portfolio as of December 31, 2001.

Loan Type	Loan Amount	Percentage
New Auto	302,269	33.7
Used Auto	295,437	33.0
Unsecured Consumer	275,294	30.8
All Other	22,399	2.5
Total	895,399	100%

Office hours at the credit union are Mondays, Wednesdays and Thursdays, 1:00 p.m. to 4:00 p.m. and are considered convenient to the entire membership. The credit union provides members with direct deposit for payroll and automatic payroll deduction for loan payments.

Other than its small asset size and limited resources, there appears to be no significant financial or legal impediment which would limit the credit union's ability to help meet the credit needs of its membership.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on September 9, 1998. That examination resulted in a Satisfactory rating.

Description of Assessment Area

According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose assessment area is not based on residence may delineate its membership as its assessment area.

Newton Teachers Credit Union 's by-laws state that membership is limited to those who are employed by the Newton Public Schools and their immediate families and retirees who were past credit union members, and employees of organizations affiliated with the Newton Public Schools". The credit union's current membership totals 600 individuals.

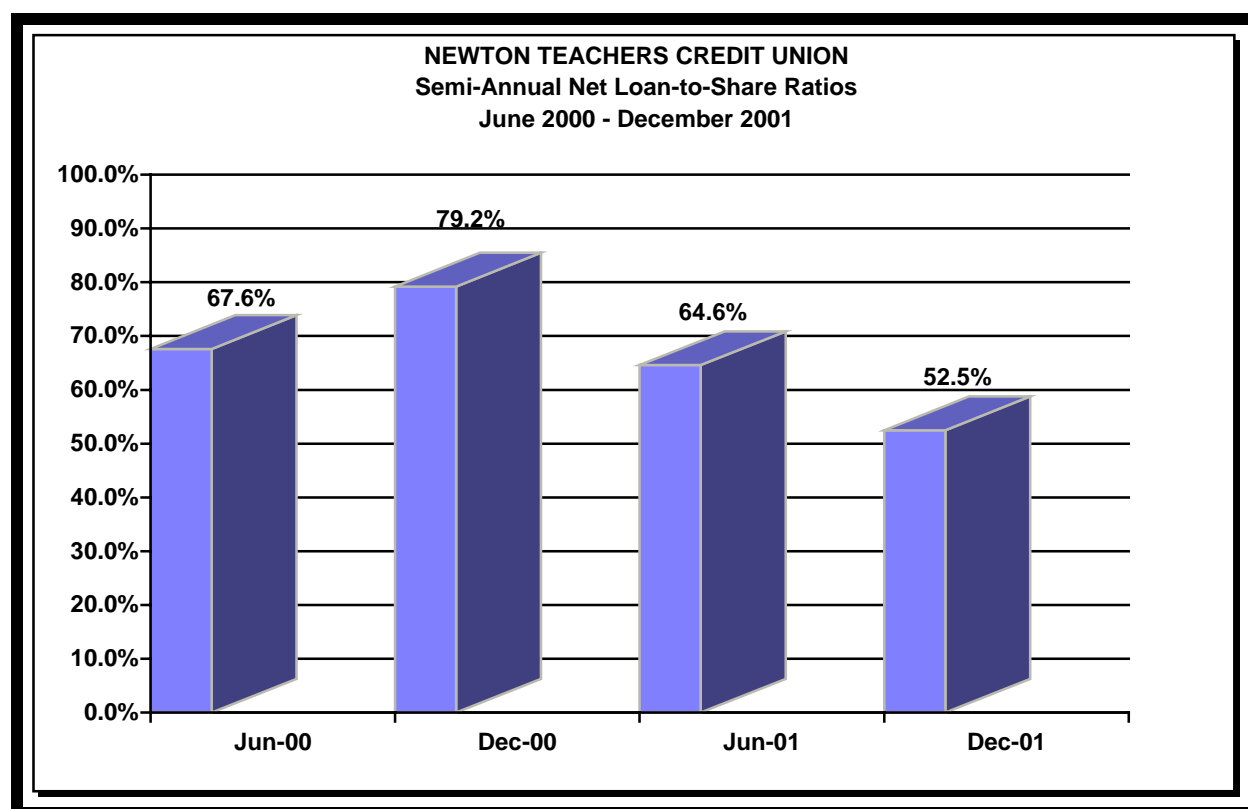
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT (SHARE) ANALYSIS

A comparative analysis of Newton Teachers Credit Union's net loan to share ratio was performed during the examination. The calculation incorporated the latest four semi-annual periods utilizing the total net loan to total deposit (share) figures from the NCUA 5300 reports. This review included the period June 30, 2000, through December 31, 2001.

The institution's average net loan to share ratio during this period was determined to be 66.0 percent which is reasonable given the credit union's asset size, resources, competition, lending strategy and the credit needs of its membership.

The following graph illustrates the loan to share trends.



Source: NCUA Call Reports

The net loan-to-share ratio has fluctuated during the current examination period but appears to be reasonable given the credit union's scope of operation. There was a significant increase in lending activity during the period ending December 2000. Management attributed the increase to the high volume of originations for auto loans. The ratios decreased after that period, since attractive interest rates were available through auto dealerships. Based on the above information and Newton Teachers Credit Union's

capacity to lend, its asset size, the types of loans available, and its limited resources, the credit union's loan to share ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

The second performance criterion examines an institution's record of lending within its assessment area. However, under the CRA regulations, 209 CMR, section 46.41, a credit union whose membership is not based on residence, such as the Newton Teachers Credit Union, may define its assessment area as its membership. Since Newton Teachers Credit Union has elected to define its membership in this manner, no evaluation of geographic performance factors was conducted.

3. LENDING TO BORROWERS OF DIFFERENT INCOMES

An analysis of the credit union's performance in lending to borrowers of different incomes was conducted. A sample of 30 consumer loans extended during 2000 and 2001 was taken and reviewed. Originations were categorized by the applicant's reported income in comparison to the 2000 or 2001 estimated median family income for the Boston Metropolitan Statistical Areas (MSA). The median family income for the Boston MSA was \$65,500 for 2000 and \$70,000 for 2001. Income figures are based on estimated 2000 and 2001 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

The credit union granted 118 consumer loans totaling \$850,217 in 2000 and 217 consumer loans totaling \$626,349 in 2001. A sample of 15 loans was drawn from each year for a total of 30 loans. The following table provides a breakdown of the sample by applicant income level. This analysis indicates that 16.7 percent of the loans were granted to low-income members and 26.7 percent were granted to moderate-income members.

Consumer Loan Originations by Income of Borrower by Number

% Of Median Family Income	2000		2001		Total	
	#	%	#	%	#	%
<50%	3	20	2	13.3	5	16.7
50% - 79%	5	33.3	3	20.0	8	26.7
80% - 119%	7	46.7	6	40.0	13	43.3
120%>	0	0.0	4	26.7	4	13.3
Total	15	100%	15	100%	30	100%

Source: In-house files

It should be noted that consumer loans typically consider the income of only one borrower. However, in this analysis the loans are compared to median family income, which has the tendency to somewhat skew the performance towards low and moderate-income categories.

The distribution of credit among the credit union's membership reflects a good dispersion among individuals of different income levels, including those of low and moderate-income. Therefore, the distribution of credit among different income levels meets the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

As mentioned previously, Newton Teachers Credit Union has elected to identify its membership as its assessment area in accordance with the Massachusetts CRA Regulation 209 CMR 46.41. Therefore no evaluation of geographic performance factors was conducted.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Newton Teachers Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

The credit union does not maintain a formal Fair Lending Policy. However, the discussion below demonstrates how the credit union's fair lending activities correspond to the guidelines set forth in the Division of Banks Fair Lending Guidelines.

The credit union uses bulletin boards, lobby brochures, and statement stuffers in its marketing activities to inform members of credit products and services offered. Members can also access the credit union through its web site at www.newtonteacherscu.com.

The credit union sponsored a "Mortgage Seminar" during the current examination period in participation with PEAK Financial Services. Highlights included: "Special Teacher Mortgage Loans, "Why refinance?" "The mortgage process" and "Q & A session".

Since the credit union's loan portfolio is composed of consumer loans (primarily auto loans), a minority application flow was not conducted, due to the restrictions on collecting information on prohibited bases for non-residential loans.

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

NEWTON TEACHERS CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 9, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at "(Address at main office)".

[Please Note: If the institution has more than one assessment area , each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.